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18 rules for ageing well

INSIDE

BY JAMES GRUBER

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I recently happened upon a practical and often humorous book about how to age successfully. It's called Rules For Ageing by Roger Rosenblatt, a literary overachiever who's had success as a Harvard lecturer, newspaper editor and columnist, and is the author of 21 books and six plays. I first came across Rosenblatt on the PBS Newshour show years ago, where he regularly presented essays on an array of topics.

His book has 58 rules for ageing, of which I've picked the best 18. Here they are:

1. It doesn't matter

"Whatever you think matters - doesn't. Follow this rule, and it will add decades to your life. It does not matter if you are late, or early; if you are here, or if you are there; if you said it, or did not say it; if you were clever, or if you were stupid; if you are having a bad hair day, or a no hair day; if your boss looks at you cockeyed; if your girlfriend or boyfriend looks at you cockeyed; if you are cockeyed; if you don't get that promotion, or prize, or house, or if you do. It doesn't matter."

I can relate to a few of these examples. For instance, I've been a stickler for time for most of my life. It probably came from my parents. Over time, I've changed my ways. I'm never deliberately late, it's just that I don't have a panic attack if I'm not.

Taken to the extreme, Rosenblatt's rule is nihilistic. Though it's a good reminder to keep things in perspective.

2. Nobody is thinking about you

"Yes, I know, you are certain that your friends are becoming your enemies, that your grocer, garbageman, clergyman, sister-in-law, and your dog are all of the opinion that your have put on weight, that you have lost your touch, that you have lost your mind; furthermore, you are convinced that everyone spends two-thirds of every day commenting on your disintegration, denigrating your work, plotting your assassination. I promise you: Nobody is thinking about you. They are thinking about themselves - just like you."

It's funny how we're one of eight billion people in this world, yet in our own minds, we're at the centre of the universe. And everyone else thinks the same way.

I've tried to explain this to one of my children, without success. This rule comes with maturity.

3. Yes you did

"If you have the slightest question as to whether or not you are responsible for a wrongdoing, you are. As soon as you think, "I really didn't do it" - you did. Come to this conclusion early, act to correct it, and live a lot longer. Don't come to it at all, never act to correct it, and ... how are you feeling?"

Too true. Psychiatrist Scott Peck in his book, The Road Less Traveled, suggests the meaning of life comes from solving problems. If you don't solve them, they can compound and get worse. That speaks to this rule.

4. After the age of 30, it is unseemly to blame one's parents for one's life

"Make that 25."

Guilty as charged. You may have noticed that I blamed my parents in response to rule no. 1 above. As Rosenblatt says: stop.

5. Swine rules

"A swine is not a swan. Over a lifetime, one will encounter several swine - true lowlifes - and one is sometimes tempted to treat them kindly under the theory that, if shown kindness, they will be less swine-like and, perhaps, even reform ... this is the sort of optimism that ought to be criminalized. A swine is a swine is a swine."

I admit to still struggling with this one. I was taught to 'always see the good in people', yet life has taught me that this is hard, as Rosenblatt suggests.

6. Pursue virtue but don't sweat it

"The pursuit alone is sufficient to establish your qualities, and if you fail once in a while, your guilt will remind you of the right path you didn't take."

I like this rule. It suggests trying to do the right thing and if you don't on occasion, then it's ok because no one is perfect.

7. Do not go to your left

"Going to one's left - or working on going to one's left - is a basketball term for strengthening one's weaknesses. A right-handed player will improve his game considerably if he learns to dribble and shoot with his left hand and to move to his left on the court. What is true of basketball, however, is not true for living. In life, if you attempt to compensate for a weakness, you will usually grow weaker. If, on the other hand, (the right one), you keep playing to your strength, people will not notice that you have weaknesses. Of course, you probably do not believe this. You will want to take singing lessons."

It's probably my favourite rule. Who hasn't wanted to be the well-rounded renaissance person who's good at many things? It usually doesn't end well. Though it may not stop me from taking those singing lessons...

8. Male and female compatibility rules

"a. She's right. b. He's really thinking about nothing. Really."

As Charlie Munger is famous for saying at Berkshire Hathaway's annual shareholder meetings: "I have nothing to add".

9. Do not keep company with people who speak of careers

"Not only are such people uninteresting in themselves; they also have no interest in anything. They often form cliques, putatively for social pleasure, actually for self-advancement and self-protection."

When younger, I remember going to a party with a friend, and it just happened that he was an Oxford University graduate and so were most of the people at this soiree. One came up to me early on and asked the standard: "So what do you do, then?" When I started to talk about my job, he stopped me and said: "No, not boring things like work, I want to know what you do for fun".

The lesson - that work should never define you - has stuck with me.

10. Envy no one – ever

As Charlie Munger similarly said: "Envy is a really stupid sin because it's the only one you could never possibly have any fun at. There's a lot of pain and no fun. Why would you want to get on that trolley?"

My experience is that this is a hard rule to stick by.

11. Believe everyone – always

"I realise that this rule seems to contradict the spirit of so many others. But when one gets down to it, life's basic choice is either to live cynically or innocently. I would choose innocence."

As would I. A related theme is whether to live life with optimism, pessimism, or realism. Many would choose realism, though that can easily veer into pessimism. I'd rather lean into optimism.

12. The unexamined life lasts longer

"A certain amount of self-examination is useful, but even that should be directed toward what to do in a given situation and not at who you are. However full your nights are with self-recrimination, you are probably all right as person (most people are)."

It was Socrates who once said that the unexamined life isn't worth living. As someone who has made introspection an art form, I tend to side with Rosenblatt over Socrates on this one.

13. No they don't – and so what?

Rosenblatt creates this rule for people who are over 50, now working for younger bosses, and don't feel they are getting the respect that they deserve: "Don't they realize how very special you are, how gifted, how distinguished?" And Rosenblatt's answer is, "No, they don't - and so what?" He says while that may bruise your ego, it could be what you need to produce even better work.

14. Abjure fame but avoid obscurity

"If, instead of seeking fame, you are more interested in simply meriting the approval of peers, the chances are better than you will accomplish this by drawing attention to the things you do rather than to some shimmering persona that you have manufactured for public inspection."

15. Fast and steady wins the race

"Steady excellence is one of the hardest things for Americans [and Australians] to recognize because it is the antithesis of newness, revolution, and excitement. Yet those who achieve steady excellence lead contented lives, which are in fact a lot more appreciated than they may know. Excitement is a reasonable standard only for the young, who know what to do with it."

This rule hit home. I think steadiness with everything in life is a good credo to live by.

16. Change no more than one-eighth of your life at a time

"The trouble with most people is that when they do decide to change their lives, they tend to think of changing everything all at once. Even if this were possible - it isn't - it would lead to disaster. When you are certain that it is time to become the novelist, sculptor, or watercolorist, change your shoes. See how the new pair fits ... That's plenty for the moment. In a few years, change your glasses."

I feel seen. Meanwhile, I'm going to change that pair of shoes.

17. Never do it for the money

"I mean it."

18. The game is played away from the ball

"I used to teach this idea to journalism students to make the point that the more interesting things in the news occur without making a big noise."

I remember being taught in journalism such things as "if it bleeds, it leads", and "in news, one Australian dying is equivalent to [insert number] Chinese [or any other people living overseas] lives". Sad, but true.

This rule extends to markets too. High growth companies whose share prices skyrocket and then crash make all the headlines, though often the best stocks are the ones that are slow and steady achievers.

James Gruber is an assistant editor at Firstlinks and Morningstar.com.au. This article is general information.

Australian home prices up on supply shortfall, but at risk from high rates

KEY POINTS

- Australian home prices rose again in October, with the supply shortfall on the back of record immigration dominating. Prices are now on track for a 9% gain this year.
- While the supply shortfall is likely to continue there is a high risk that the impact of high interest rates will start to get the upper hand next year particularly if the RBA hikes again and unemployment rises by more than expected.
- Price gains are expected to slow to 5% next year, but the risk of another leg down in prices next year is high.

BY SHANE OLIVER

Republished from amp.com.au

Introduction

The big surprise in the Australian housing market last year was how quickly home prices fell with RBA rate hikes. But the big surprise this year is how they rebounded when most including myself were looking for further falls. October CoreLogic data showed another 0.9% rise in national home prices, leaving them just 0.5% below their April 2022 record.

Australian dwelling price growth, to October

	Oct % chg	Annual % chg	% recent peak to low	% recent low to now
Sydney	0.8	9.0	-12.4	11.6
Melbourne	0.5	2.4	-7.9	4.5
Brisbane	1.4	7.8	-8.9	10.5
Adelaide	1.3	6.5	-1.7	7.7
Perth	1.6	10.8	-0.6	11.0
Hobart	0.8	-4.9	-12.2	0.8
Darwin	-0.1	-1.7	-5.1	2.5
Canberra	0.1	-1.6	-7.9	1.3
National avg	0.9	5.6	-7.5	7.6

Source: CoreLogic, AMP

After the initial rebound earlier this year we came to the conclusion that prices had bottomed and would rise another 5% next year. This remains our view, but the outlook for the property market is more uncertain than normal as the property market is caught between the extremes of a supply shortfall and the negative impact of higher interest rates - both of which are still playing out and are getting more extreme.

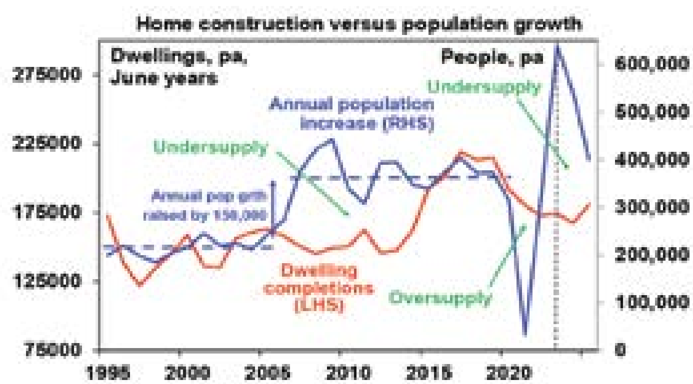
Supply shortfall still dominating for now

The rebound in prices reflects a far worse than expected shortfall of supply relative to underlying demand for homes as immigration rebounded driving the fastest population growth rate since the 1950s at the same time that the supply of new dwellings slowed. This accentuated already tight rental markets, forcing rents up & driving renters to consider buying. So, demand improved but supply remains weak with total listings below normal. Talk of rising prices and shortages further boosted demand from less interest rate sensitive buyers. Expectations that rates were at or close to the top have also helped. Looking at the key elements of this:

- Net immigration looks to have been around 500,000 in 2022-23, more than double the 235,000 forecast in last October's budget. And monthly arrivals suggest it's continuing to surge this financial year.

Source: ABS, AMP

- This along with the constrained completion of new homes (with material and labour shortages and falling approvals) has meant an ongoing rise in the accumulated undersupply of housing, estimated to be 120,000 dwellings, rising to 190,000 dwellings by mid next year.



Population estimates based on recent data for 2022-23 and 2023-24, then Australian Budget forecasts for 2024-25. Source: ABS, Australian AMP

- The Government's commitment to produce 240,000 dwellings a year over five years is great news but only starts from July 2024 and may struggle as we only completed 187,000 pa over the last five years.
- Tight housing supply is reflected in record low rental vacancy rates and surging rents, which in turn is driving some to try and buy.

Source: REIA, AMP

So strong population driven housing demand, constrained supply and an existing shortfall remains a strong source of support for home prices.

But high rates may start to get the upper hand again

However, even when there is a supply shortfall, interest rates still matter.

- The long-term bull market in property prices from the 1980s was underpinned by the shift from high inflation and high interest rates to low inflation and low interest rates which allowed a rise in home price to income levels and a similar rise in household debt. This valuation effect boosted house prices by around 3.3% pa, accounting for 46% of the total increase in house prices since the early 1980s. So, if we have moved into a more inflation prone world with higher average interest rates this structural boost has run its course & could start to reverse.
- Australian housing remains very expensive on all metrics - home price to income ratios are only just below record

Sources: ABS, CoreLogic, AMP

highs; they are at the high end of comparable countries; and the time taken to save for a 20% deposit has more than doubled over the last 40 years from less than 5 years to now more than 10.

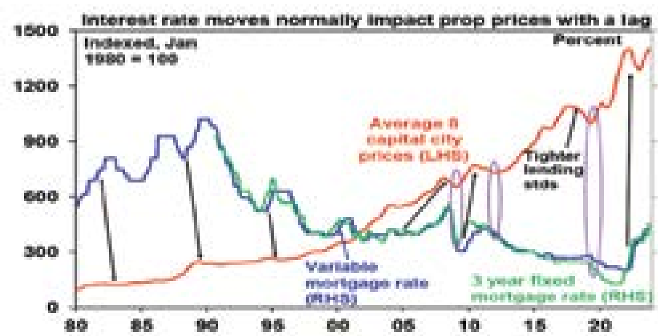
- The rise in interest rates since May last year has caused a big hit to home buyer "capacity to pay". We estimate that the capacity to pay for a home by a borrower with a 20% deposit on full time average earnings is around 29% lower than it was in April last year as they can't borrow as much now on a given income. See the next chart. This threatens a downwards adjustment in home prices at some point unless incomes rise dramatically or mortgage rates fall dramatically. It may have been offset this year by a pool of less interest sensitive buyers (eg, those who had access to the bank of Mum and Dad) but that leaves the market vulnerable if such buyers are exhausted.

Source: RBA, CoreLogic, AMP

- Australians continue to see this as a poor time to buy homes consistent with very depressed levels of consumer confidence generally. This makes the current upswing in home prices unusual as it's normally accompanied by improved sentiment towards property.

Source: Westpac/Melbourne Institute, CoreLogic, AMP

- New listings are trending up and are likely to be boosted by increased listings from distressed sellers, including investors with rental yields falling further below mortgage rates. Measures of mortgage stress are continuing to rise. Mortgage interest payments as a share of household income are rising to record levels and scheduled payments are already at a record according to the RBA. And combining the RBA's own analysis for variable and fixed rate borrowers one in seven home borrowers were estimated to be in negative cash flow as at July. This will worsen if the RBA raises rates further as appears likely.
- Just as rate hikes impact the economy with a lag it's the same with the property market. This is because it takes time for rate hikes to cool demand, for unemployment to rise and for distressed sales to increase. So last year's slump in property prices that started as soon as interest rates started to rise maybe ran ahead of itself. Similarly, the last three major cyclical upswings in home prices have required lower interest rates to be sustained. With rates cuts still a long way away, the impact of past rate hikes still feeding through to demand and listings, and the RBA looking like it will raise rates again, the risk of another leg down in prices is high.



Arrows show the lagged lead from rate hikes to price falls. Source: CoreLogic, RBA, AMP

Concluding comment

The combination of slowing home price growth since May (when it peaked at 1.2% month on month), slowing auction clearance rates from the low to mid 70% range to the low to mid 60% range and weak growth in housing finance suggest that housing demand is struggling to keep up with listings. The supply shortfall in the face of strong demographic demand has had the upper had this year but high interest rates and their lagged impact look to be starting to reassert themselves. The headwinds of high interest rates and poor affordability will likely constrain the upswing at the very least and so our base case remains for price growth to slow to 5% next year. But it also means there is a very high risk of another leg down in average home prices emerging next year, particularly if unemployment rises significantly. After surprising on the upside this year, they may surprise on the downside next year! Interest rates, unemployment and auction clearance rates are key indicators to watch.

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Asia's Economic Tightrope: Balancing Rising Oil Prices Amidst Geopolitical Uncertainty

BY ALEX COUSLEY

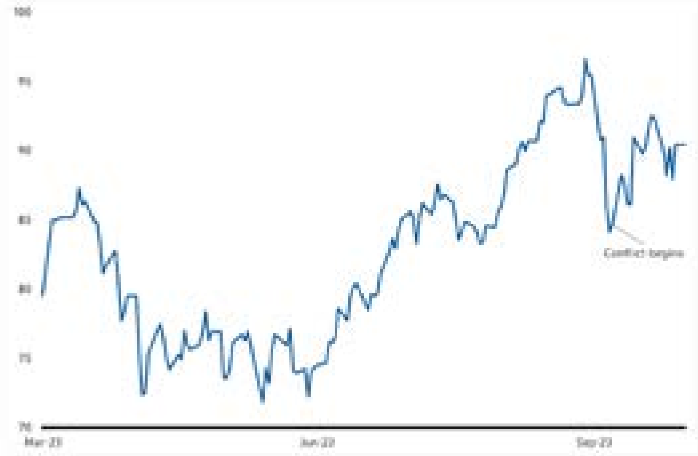
Republished from russellinvestments.com.au

In a world rocked by geopolitical turmoil, Asia finds itself on an economic tightrope. The looming shadow of the Israel-Gaza conflict has intensified concerns about rising oil prices, and the Asia-Pacific region, heavily dependent on oil imports, must carefully navigate these uncertain waters.

We recently discussed the potential implications of the Israel-Gaza conflict, with a focus on the US economy and major financial markets. However, the Asia-Pacific region is in a more difficult position should the conflict escalate.

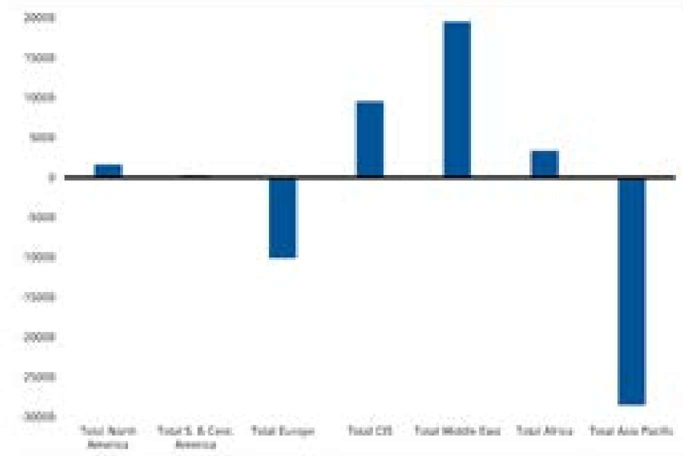
Economic implications for Asia-Pacific and regional financial markets

The oil market is the main risk channel from the conflict to the broader economy. Indeed, we have seen oil prices move higher since the conflict began, as shown in the chart below. We continue to think that a widening of the engagement into Lebanon or, much more significantly Iran, would be the key escalation as this would likely lead to a further spike in the oil price.



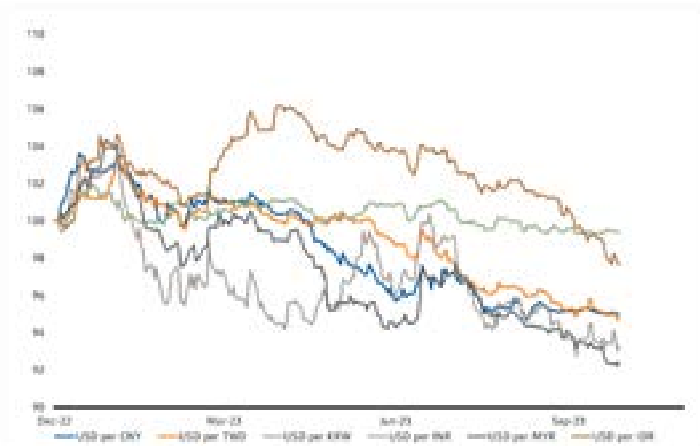
Source: LSEG Datastream, 31 October 2023

Asia generally is more sensitive to oil prices than other regions, given it is a net oil. The chart below shows the net production of different regions, with Asia Pacific standing out as a big net consumer of oil prices. Indeed, oil accounts for the largest portion of imports for Japan, India, China and South Korea. Further volatility in prices from here would lead to a worsening of the trade balance for each country and would act as a tax on growth.



Source: BP Statistical Review of World Energy 2022

This impact is exacerbated by the fact that many Asian currencies have been falling, thus making the cost of those imports more expensive in local currency terms. For example, the South Korean won has depreciated by roughly 7% against the US Dollar over the course of 2023.

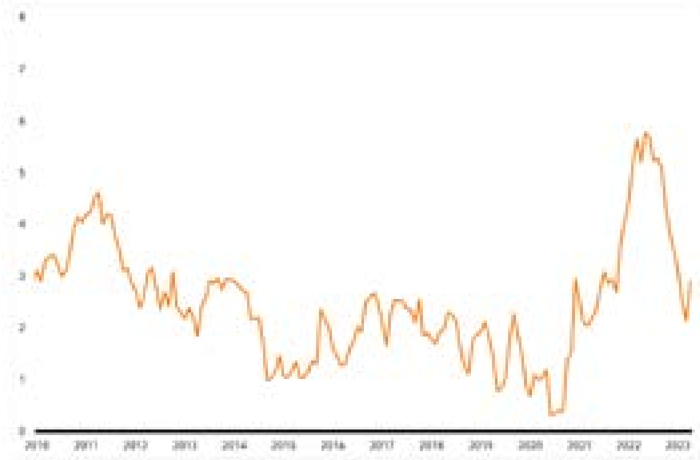


Source: LSEG Datastream, Russell Investments, 30 October 2023

At this stage, we do not think there is a meaningful risk that Asian central banks will need to raise rates further in response to this increase in costs. Indeed, even in the more severe scenario, where the conflict broadens and puts more pressure on the oil price, central banks may look through the increase in the oil price. The rationale for this is that the increase in oil prices would act as a drag on the broader consumption profile of the economy.

Outside of these potential impacts on the region, we think there are some positive stories amongst Asian economies.

The Japanese economy is growing at a decent rate, as the consumer has reengaged with the economy post the



Source: LSEG Datastream, Russell Investments, 30 October 2023

lockdowns. Services spending is still recovering back to pre-COVID levels, so there is still some room for catch-up growth.

The Chinese economy has been struggling given the headwinds of the property market and depressed consumer confidence. However, the Chinese government recently announced that more fiscal stimulus will be provided by both the local and central government through the rest of this year and into next year. This should provide a boost to the economic outlook, and we think that the Chinese government are likely going to target 4.5-5% GDP growth for 2024.

South Korea and Taiwan should benefit from any bottoming in the semiconductor cycle, while the growth outlook for India continues to look quite healthy.

Moving to Australia and New Zealand, both countries have lower proportions of oil imports compared to broader Asia Pacific. Australia is going to continue to see growth slow but avoid recession while we are more concerned about recession risk in New Zealand.

The Australian economy is being supported by a very strong immigration profile, although this is exacerbating pressure on rent prices and the Reserve Bank of Australia to increase interest rates again.

The Reserve Bank of New Zealand is holding rates at very restrictive levels, and this is likely to lead to a more meaningful slowdown through next year. At this stage, we do not see any meaningful shift in fiscal policy following the victory of the National party at the general election in October.

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Q&A: Ask a Question

Question 1

I've heard from the news that Australians can receive more retirement income using a government initiative called the Home Equity Access Scheme (HEAS). What are the factors that determine whether I can get it or not?

The Home Equity Access Scheme (HEAS) can assist you in using the equity in your home to increase your retirement income. To be eligible, you or your partner must be at least age pension age which is at least 67 years old and are eligible to get a qualifying pension. Secondly you or your partner must own real estate in Australia to use as security for the loan. Another thing that is required is that both you and your partner are not bankrupt or subject to a personal insolvency agreement and lastly, you must make sure that you have sufficient insurance to cover the real estate.

As eligibility criteria and requirements can evolve over time, it's crucial to verify the latest guidelines with the Australian government or seek advice from your financial adviser to access your eligibility to participate in the scheme.

Question 2

I was reading a news article online and came across this thing called an Individually Managed Account (IMA). I was wondering what can make an Individually Managed Account more suitable for me than a managed fund?

Individually Managed Accounts (IMAs) can be suitable for you if you are seeking customisation and transparency. IMAs allow you to collaborate closely with portfolio managers to create a personalised investment strategy that suits your financial goals, risk tolerance, and ethical preferences. This high level of customisation is a standout feature, setting IMAs apart from managed funds with their standardised portfolios.

IMAs can also offer you enhanced transparency. You will have direct ownership of the underlying securities, providing you with a clear view of your investments. This transparency can be contrasted with managed funds, where your funds are pooled instead, making it challenging to obtain a granular view of the portfolio. Additionally, IMAs allow you to have better control over tax efficiency, active management, liquidity, and diversification. However, it's important to consider that IMAs are typically more expensive than managed funds. The choice between an IMA and a managed fund ultimately hinges on your financial objectives and risk appetite. Please see your financial adviser to help assist you in making a decision that suits your financial needs and objectives.

Question 3

I'm interested in investing but I'm not sure about whether to take on an active or passive approach to investing. What are the pros and cons of each approach?

Active investing and passive investing represent two distinct approaches to managing investment portfolios. An active investing approach can potentially enable you to outperform the market or a specific benchmark, offering potential for higher returns through expert decision-making and risk management. However, an active management approach often comes with higher costs and no guarantee of consistent success. Frequent trading can also lead to increased transaction costs and capital gains taxes, detracting from your long-term performance.

On the other hand, a passive investing approach involves tracking the market or a specific index with lower-cost funds like index funds or ETFs. It provides you with diversification, consistency, and cost efficiency. However, you would need to accept market-aligned returns (for better or for worse) and have potentially no active risk mitigation. The choice between active and passive investing depends on your goals and preferences. Please consult your financial adviser to make an informed decisions that aligns with your unique financial situation and objectives.

If you have a question that you would like to see answered in **Wealth Adviser**, please send it through to **centraladvice@wtfglimited.com.**